LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 22, 2005

TO: Honorable Norma Chavez, Chair, House Committee on Border and International Affairs

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **HB2530** by Chavez (Relating to beverage container redemption and recycling in border counties; providing penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2530, As Introduced: an impact of $0 through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	$0
2007	$0
2008	$0
2009	$0
2010	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from *New General Revenue Dedicated--Texas Beverage Redemption and Recycling Acct.*	Probable (Cost) from *New General Revenue Dedicated--Texas Beverage Redemption and Recycling Acct.*	Change in Number of State Employees from FY 2005
2006	$0	$0	0.0
2007	$44,553,328	($44,069,035)	4.0
2008	$45,670,547	($45,193,864)	4.0
2009	$46,801,845	($46,307,300)	4.0
2010	$47,935,347	($47,422,904)	4.0

Fiscal Analysis

The bill would require the Texas Commission on Environmental Quality (TCEQ) to establish a beverage container redemption and recycling program in counties bordering Mexico. The bill would require that all beverage containers sold in border counties have a refund value of five cents or more. Retailers would be required to collect a fee of five cents from consumers, and retailers would remit at least annually to the comptroller 4.75 cents of each five cent redemption fee collected, with 0.25 cents retained by the retailer for administrative costs.

Beverage redemption fees collected would be deposited into a new General Revenue-Dedicated Account to be known as the Texas Beverage Redemption and Recycling Account. Funds in the account could be appropriated to the TCEQ for reimbursement and handling fees to redemption centers that would be established in redemption zones as designated by the TCEQ and to the TCEQ for costs incurred in administering the program.

Any funds remaining in the account after paying reimbursement costs, administrative costs, and maintaining a reserve equal to 5 percent of collections would be used for grants to border counties to operate the redemption program and finance the purchase of redemption center infrastructure; provide grants to local governments to promote litter abatement and encourage recycling; conduct research and development of markets for and products made from used beverage containers; and provide public education regarding the redemption program.

Redemption centers could be operated by local governments or by private or nonprofit entities. The TCEQ would establish procedures for the certification and operation of redemption centers. The TCEQ would reimburse redemption centers for any redemption amounts provided to consumers plus a handling fee of 0.5 cents per beverage container redeemed. The redemption centers would dispose of the used containers in a manner prescribed by the TCEQ.

The bill would take effect on September 1, 2005. However, the TCEQ would have until September 1, 2006 to adopt rules relating to the beverage container redemption program.

Methodology

The TCEQ anticipates requiring at least 4 FTEs to administer the beverage redemption and recycling program, including 3 FTEs that would be located in each of the TCEQ's three border field offices and 1 FTE in its Austin headquarters. Costs associated with these FTEs would total $244,431 per year, with slightly higher start-up costs in fiscal year 2007. Any costs to the Comptroller's Office in administering the provisions of the bill are not expected to be significant and are expected to be absorbed using existing resources.

Revenue estimates are based upon a population in the border region of 2.3 to 2.5 million over the 2006-2010 period and an average of 400 containers per person per year being purchased. This estimate assumes a beverage container return rate of 85 percent. This results in $44.5 million in revenue being generated in the first year of operation of the program (fiscal year 2007), increasing to $47.9 million by fiscal year 2010. It is also expected to result in $43.8 million being sent out in reimbursement payments to redemption centers in fiscal year 2006, increasing to $47.2 million in fiscal year 2010.

Costs shown in the table above to the Texas Beverage Redemption and Recycling Account include both TCEQ administrative costs as well as reimbursement payments to redemption centers.

Local Government Impact

Local governments in border counties opting to operate beverage redemption centers would be eligible to receive a portion of the estimated $43.8 to $47.2 million in reimbursements from the TCEQ to redemption centers. The majority of the funds (91 percent) would be used as redemption payments to consumers, with the balance available to be used for redemption center operating costs. In addition, local governments in border counties would be eligible for grants as provided in the bill. The amount available for grants in the initial years of the program is not expected to be significant, due to the bill's 5 percent balance reserve requirement.

Source Agencies: 304 Comptroller of Public Accounts, 582 Commission on Environmental Quality

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